SUBMISSION

OF THE

ONTARIO FEDERATION OF LABOUR

TO THE

STANDING COMMITTEE ON RESOURCE DEVELOPMENT

DEALING WITH THE

RETAIL SALES TAX

ONTARIO LEGISLATURE

QUEEN'S PARK

MONDAY, JULY 5TH, 1982

3:30 P.M.

Mr. Chairman and Members of the Committee:

The Ontario Federation of Labour, representing 800,000 organized workers and their families, is taking this brief opportunity to appear before you to vigorously protest extension of the retail tax to previously non-taxable items.

We are not here to address the confusion this tax creates for sales people and consumers in their day-to-day dealings.

We are more concerned with its economic inequity - the hardship and misery it imposes on the working poor, the unemployed, the student, the aged and the infirm. Battered by our current Depression, these people and many others can ill afford the Treasurer's "seven per cent solution".

When you extend the sales tax, it is not just a cold figure - seven per cent. This tax extension is seven per cent added to the cost of storm doors and windows to a homeowner who already has had a massive increase in mortgage payments. It is seven per cent added to the car or clothing repair of an unemployed worker seeking a job. It is seven per cent added to the TV repair of a pensioner or single parent trying to ease the boredom of a lonely evening. It is seven per cent added to the costs of a student who is already discouraged because there are no jobs to look forward to. It is seven per cent added to the burden of all these people struggling to make ends meet.

At the best of times, sales tax is a regressive and inequitable tax - an unemployed worker paying the same tax as the corporate president who laid him off. Widening the tax base by lifting the exemptions of hitherto untaxed goods and services at a time when we are entering a full-scale depression is economically unsound and morally reprehensible.

We are concerned with the effect the extension of the sales tax will have on jobs. Plants are closing almost every day. Bankruptcies have increased by 38 per cent in the past year. The government of Ontario has done very little to arrest this deindustrialization of the manufacturing sector. The only sector that presently holds some promise of growth is services and related industries. The extension of the sales tax could very well arrest this growth.

The Ontario government itself made the argument against the extension of the sales tax for lower priced cafeteria-style meals, in its 1977 budget in raising the exemption to six dollars.

> "Ontario has over the past few years increased the level of the retail sales tax exemption for prepared meals so that residents and visitors alike are able to purchase essential meals free of tax. At the same time, the levels chosen have ensured the continued generation of revenue from the more elaborate higher-priced dinners. In continuation of this practice, I am proposing a further increase in the level of exemption to six dollars. This change ensures that all basic meals will be free of tax."

Now that this province's economy is in the worst shape since the Great Depression the government has seen fit to lower the tax on the more elaborate and high priced meals from 10 to seven per cent at places like the La Scala and Winstons where Ontario Cabinet Ministers eat more than occasionally, while imposing a seven per cent tax on all meals below six dollars.

This government cannot be accused of adopting the slogan, "make the rich pay". They have coined a new one - "make the poor pay".

For it is senior citizens, students, workers, and the unemployed who are major customers at cafeterias and fast-food outlets. They are being punished for inept and harmful economic policies practiced in Ottawa and Toronto which have created a shortfall in government revenues.

We say the way to create revenue is to create taxpayers - put people to work! Tax the corporations - for every dollar raised from personal taxes, only 14 cents is raised from corporate taxes.

Adding a tax on transit equipment and repairs will not extend the transit system and create jobs but will result in

fare increases.

Adding a tax on conservation equipment, on solar hardware, on insulation, on storm doors and windows, and on woodstoves will discourage conservation of energy. This runs counter to the policy of another ministry of the government that has been exhorting us to conserve. What happened to the great slogan "Preserve it - Conserve it"? Increasing the cost of conservation will depress growth in an industry that has some potential for growth and the provision of jobs.

Adding a sales tax to building materials for the construction projects of school boards, colleges, universities and hospitals will only add a greater burden to the municipalities and the ratepayers who are already overburdened by taxes and interest rates.

There are serious problems with taking away these exemptions. This action is a deliberate attempt by the Ontario government to shift the tax burden onto the backs of the municipalities. Municipalities had already set their 1982 budgets with the assumption that these exemptions would continue. Mill rates had been set, and adjustments cannot be made for this year. The only option will be to cutback capital programs or repairs; a further decrease in employment. When public works are needed to stimulate the economy, the Ontario government puts impediments in the way.

There is a tragic inconsistency in provincial budget policy. It purports to promote public investment as a short-term

employment measure while at the same time making it more expensive by seven per cent to achieve this.

Some municipalities have heeded the government's propaganda and have been pursuing these policies. The ratepayers will now be forced to shoulder the burden since municipalities have less options than has the province in generating revenue.

The Ontario budget is contributing to inflation while doing nothing to stimulate the economy. Extending the sales tax will have the effect of depressing the economy when stimulation is necessary, when job creation is needed.

The sales tax extension will mean that Electrohome's move into television repair will be nipped in the bud. Truckers will repair their trucks in provinces that don't have a tax on repairs. Fast-food outlets will retrench or go bankrupt. Businesses will fail. Jobs will be lost when jobs are badly needed.

In concluding, we wish seriously to make some proposals to the government of Ontario through this Committee:

* The Treasurer of Ontario should scrap his budget, and bring in a new one that would recognize unemployment as our number one problem.
* Tax exemption on previously exempt goods and services should be continued.

* The Ontario government must bring in measures to protect the homeowners, tenants, small businesses and farmers.
* Personal income taxes should be cut for low and moderate income groups.
* OHIP premiums should be reduced and eventually phased out.
* Hydro and heating fuel rates should be frozen for one year.

All of which is respectfully submitted.

ONTARIO FEDERATION OF LABOUR

Clifford G. Pilkey, President Terry Meagher, Secretary-Treasurer

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